

Message Text

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E.O. 11652: N/A
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SUBJECT: NATO INTERNATIONAL STAFF DUPLICATE COVERAGE
OF RISKS

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SUMMARY. MESSAGE REPORTS STATUS OF MILITARY AND CIVIL
BUDGET COMMITTEE EFFORTS TO DEVISE AN ACCEPTABLE METHOD
TO ELIMINATE DUPLICATE COVERAGE BETWEEN NATO'S NEW PENSION
SCHEME AND THE GROUP INSURANCE POLICY. THE COMMITTEES
HAVE PRODUCED A PROPOSAL FOR COUNCIL CONSIDERATION WHICH
ELIMINATES TO THE MAXIMUM PRACTICAL EXTENT ANY NATIONAL
CONTRIBUTION TO DUPLICATE BENEFITS. MESSAGE REQUESTS
AUTHORITY TO ACCEPT PROPOSAL AS DETAILED HEREIN. END
SUMMARY.

1. FOLLOWING PUBLICATION OF REF A, IN WHICH THE NATO
ADMINISTRATION PROPOSED A METHOD TO ELIMINATE DUPLICATE
COVERAGE BETWEEN NATO'S NEW PENSION SCHEME AND THE GROUP
INSURANCE POLICY, REF C CONCURRED IN ANY SOLUTION WHICH
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WOULD ELIMINATE DUPLICATE COVERAGE AT NO ADDITIONAL COST
TO THE NATIONS. FREQUENT MEETINGS SINCE THAT TIME HAVE
NOW BORNE FRUIT AND WE BELIEVE THAT A SOLUTION IS
AVAILABLE.

2. SYG'S PROPOSAL IN REF A, LABELED AS "ELIMINATION OF
DUPLICATE COVERAGE", WAS SIMPLY TO CONVERT INSURANCE

MONTHLY PAYMENTS FOR INVALIDITY BENEFITS TO THEIR ACTUARIAL EQUIVALENT LUMP SUMS. NATO ADMINISTRATION INSISTED THAT SUCH CONVERSION WOULD DO AWAY WITH DUPLICATE "PENSIONS" AND THUS SATISFY THE PREVIOUS OBJECTION OF THE COUNCIL.

3. AT FIRST MEETING OF THE JOINT CIVIL BUDGET COMMITTEE/ MILITARY BUDGET COMMITTEE (CBC/MB), THE US REPS (MARKS, DENNEHY AND LOVELAND), DRAWING ON INSTRUCTIONS MENTIONED ABOVE, NOTED THAT CONVERSION OF A "PENSION" TO A LUMP SUM DID NOT, IN FACT, ELIMINATE DOUBLE COVERAGE OF THE SAME RISK UNDER THE NATO PENSION SCHEME AND THE GROUP INSURANCE SYSTEM. US REPS STATED THAT CONVERSION OF A "PENSION" TO A LUMP SUM DID NOT ACCOMPLISH THE AIM OF THE COUNCIL AND HENCE SUGGESTED THAT, IF THE NATIONS COULD NOT AGREE TO ELIMINATE DUPLICATION, THE SYSTEM BE MAINTAINED IN A STATUS QUO RATHER THAN TO RECOMMEND TO THE COUNCIL A SOLUTION WHICH WAS A SUBTERFUGE. IN FACT, MOST REPRESENTATIVES BELIEVED THAT THEIR NATIONAL OBJECTIONS TO THE DUPLICATE COVERAGE DID NOT EXTEND BEYOND THE PENSION ASPECTS, AND THEREFORE COULD AGREE TO THE SYG'S PROPOSAL. COMMITTEES AGREED TO A REPORT TO COUNCIL WITH A MINORITY VIEW (OF THE US) SPELLING OUT OUR VIEW THAT THE PROPOSAL CONSTITUTES A SUBTERFUGE.

4. WITH PUBLICATION OF THE NEW DRAFT REPORT TO COUNCIL, AND HENCE CLARIFICATION OF THE EXACT INTENT OF THE SYG LIMITED OFFICIAL USE

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PROPOSAL, SEVERAL NATIONS SIDED WITH THE US RESULTING IN TWO APPROXIMATELY EQUAL GROUPS. THIS FORCED ADDITIONAL DISCUSSION AND SEARCH FOR METHODS BY WHICH DUPLICATE COVERAGE COULD TRULY BE ELIMINATED WITHOUT DOING DAMAGE TO THE VESTED RIGHTS OF CURRENT EMPLOYEES.

5. IN JANUARY, THE BELGIAN REP (VANDENDRIESSCHE) PROPOSED A SYSTEM WHEREIN NO CHANGE WOULD BE MADE TO THE GROUP INSURANCE PLAN, BUT EMPLOYEES WOULD ONLY RECEIVE THE GREATER OF EITHER THE NATO PENSION OR THE INSURANCE PENSION. HAVING EXAMINED THE DIFFICULTY OF APPLYING A SIMILAR RULING TO LUMP SUMS CALLED FOR UNDER THE INSURANCE PLAN FOR DEATH BENEFITS, HE SUGGESTED THAT THOSE BENEFITS BE LEFT AS AT PRESENT, BUT THAT THE MAJORITY OF THE PREMIUMS THEREFOR SHOULD BE TRANSFERRED FROM THE ORGANIZATION TO THE EMPLOYEE. HIS SUGGESTION WAS THAT THE PREVIOUS NATO/EMPLOYEE CONTRIBUTION OF .7/.35 SHOULD BE CHANGED TO .15/.9 OF THE EMPLOYEE'S BASE SALARY, THUS INCREASING THE EMPLOYEE PAYMENT BY A LITTLE MORE THAN 1/2 OF 1 PCT OF HIS BASE SALARY, AND DECREASING THE NATO PAYMENT BY AN EQUAL AMOUNT. THIS PROPOSAL REDUCED NATO'S COSTS IN TWO WAYS: (1) A REDUCED CONTRIBUTION TO THE

INSURANCE PREMIUM, AND (2) REDUCED PAYMENTS FROM THE NATO PENSION SCHEME IN SOME INSTANCES.

6. IN SUBSEQUENT DISCUSSIONS, THE ADMINISTRATION OBJECTED TO THE BELGIAN SCHEME BECAUSE IT INCREASED INSURANCE PAYMENTS FOR CERTAIN CATEGORIES OF PERSONNEL FOR WHICH NO DUPLICATE COVERAGE WAS PROVIDED UNDER THE NATO PENSION SCHEME. TO COUNTERACT THAT DIFFICULTY, THE US REP PROPOSED THAT MODIFICATION OF THE SHARE OF PAYMENTS BE ONLY ACCOMPLISHED FOR THOSE EMPLOYEES WHO DID INDEED ENJOY DUPLICATE COVERAGE, I.E., A LUMP SUM FROM THE INSURANCE

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COMPANY FOR A RISK ALSO COVERED UNDER THE NATO PENSION SCHEME, AND AT A MEETING ON 16 JANUARY, ALL NATIONS EXCEPT FRANCE COULD ACCEPT THE BELGIAN SOLUTION WITH THE US MODIFICATION. AT A MEETING ON 23 FEBRUARY, AFTER HEARING A REPRESENTATIVE OF THE NATO STAFF ASSOCIATION PLEAD THAT IT WAS NOT FAIR TO DEPRIVE THE STAFF OF THE ADDITIONAL BENEFITS NOR TO CHARGE THEM HIGHER INSURANCE PREMIUMS TO RETAIN SUCH BENEFITS, THE COMMITTEES NOTED THAT THE STAFF ASSOCIATION POSITION APPEARED TO BE VISCERAL SINCE IT WAS NOT SUPPORTED BY ANY RATIONALE. AFTER DISMISSAL OF THE STAFF ASSOCIATION SPOKESMAN, THE COMMITTEE AGREED UNANIMOUSLY TO ACCEPT THE BELGIAN/US PROPOSAL AND TO SO REPORT TO THE COUNCIL. THE ADMINISTRATION REPRESENTATIVE (LOPPENTHIEN) AND THE FRENCH REP (MATHONNET) BOTH PLEADED FOR A SLIGHT "LIBERALIZATION" IN THE SHARING OF THE INSURANCE PREMIUMS IN ORDER TO STRENGTHEN THE HAND OF THE ADMINISTRATION REP IN DEALING WITH THE STAFF ASSOCIATION. BASED ON A STATEMENT BY THE UK REP (RYDER)

THE COMMITTEE REJECTED THE PROPOSAL SINCE THERE WAS NO INDICATION THAT EITHER PERCENTAGE WOULD BE ACCEPTABLE TO THE STAFF ASSOCIATION. THEY DID AGREE, HOWEVER, THAT IF THE STAFF ASSOCIATION MADE A COUNTER-PROPOSAL WHICH CONCURRED IN THE ELIMINATION OF DUPLICATE "PENSION" BENEFITS LIMITED OFFICIAL USE

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BUT REDUCED THE EMPLOYEE CONTRIBUTION TO THE INSURANCE PREMIUM FROM .90 TO .70 (THUS REDUCING THE NATO "SAVING" FROM .55 TO .35), THE NATIONS WOULD CONSIDER GIVING FINAL APPROVAL TO SUCH A PROPOSAL. FAILING SUCH AN OFFER BY THE STAFF ASSOCIATION, THE COMMITTEES AGREED TO FORWARD THE CURRENT COMMITTEE PROPOSAL TO THE COUNCIL FOR ENDORSEMENT.

7. THE STAFF ASSOCIATION HAS NOT MADE A COUNTER-PROPOSAL. HOWEVER, THE DIRECTOR OF MANAGEMENT (LOPPENTHIEN) HAS BEEN ASSURED BY REPRESENTATIVES OF THE STAFF LIAISON COMMITTEE THAT A REVISED SHARING OF THE PREMIUMS (RELATIVE TO BENEFITS PAYABLE UNDER THE GROUP INSURANCE SCHEME IN THE FORM OF CAPITAL SUMS) IN THE PROPORTION ONE-THIRD FOR THE ORGANIZATION, TWO-THIRDS FOR THE STAFF WOULD BE ACCEPTABLE. THE LIAISON COMMITTEE LINKED ITS ACCEPTANCE OF THIS REVISED COST-SHARING TO AN EFFECTIVE DATE OF 1 JULY 1978. THE COMMITTEE ACCEPTED THIS MODIFICATION BY THE SILENCE PROCEDURE WHICH ENDED NOON, 1 MARCH 1978. THE COMMITTEES HAVE AGREED TO FORWARD THE BELGIAN/US PROPOSAL TO COUNCIL FOR ENDORSEMENT.

8. IT IS DIFFICULT TO PREDICT EITHER THE SYG'S OR THE STAFF'S NEXT MOVE. OBVIOUSLY, THE STAFF REPRESENTATIVES CANNOT PUBLICLY BACK DOWN FROM THEIR STATED POSITION OF WANTING RETENTION OF DOUBLE COVERAGE. THE ADMINISTRATION RECOMMENDS AGAINST PRESSING THE STAFF TO ACCEPT THE COMMITTEE'S PROPOSAL, PREFERRING TO LET THE PROPOSAL MOVE TO COUNCIL FOR CONSIDERATION. THE THINKING IS THAT THE COUNCIL WILL APPROVE THE COMMITTEE'S PROPOSAL AND THE STAFF WILL NOT CHOOSE TO CHALLENGE THE COUNCIL'S DECISION.

9. WE BELIEVE THAT THE BELGIAN/US PROPOSAL HAS ELIMINATED TO THE MAXIMUM PRACTICAL EXTENT ANY NATIONAL CONTRIBUTION TO DUPLICATE BENEFITS. REQUEST THEREFORE LIMITED OFFICIAL USE

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THAT WE BE AUTHORIZED TO ACCEPT THE PROPOSAL DURING COUNCIL DISCUSSION. BENNETT

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